



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

12th Assembly

Public Accounts Committee

Public Hearing Transcript

8.30 am, Thursday, 4 February 2016

Litchfield Room, Parliament House

Members: Mrs Robyn Lambley, MLA, Chair, Member for Araluen
Ms Natasha Fyles, MLA, Member for Nightcliff
Ms Nicole Manison, MLA, Member for Wanguri
Mr Gerry Wood, MLA, Member for Nelson

Witnesses: Office of Major Projects, Infrastructure and Investment (DCM)
Ms Anne Tan, Acting Coordinator-General
Department of Infrastructure
Mr David McHugh, Chief Executive
Mr Glen Brady, Senior Project Manager
Department of Health
Professor Len Notaras, Chief Executive
Mr Michael Kalimnios, Chief Operating Officer, Top End Health Service
Mr Adam Walding, Senior Director Capital and Facilities

Madam CHAIR: We will now turn to the public briefing on the Palmerston Hospital. I welcome to the table Professor Len Notaras, Chief Executive of the Department of Health; Mr Michael Kalimnios, Chief Operating Officer, Top End Health Services; Mr David McHugh, Chief Executive of the Department of Infrastructure; Mr Glen Brady, Senior Project Manager of the Department of Infrastructure; and Ms Anne Tan, Acting Coordinator-General of the Office of Major Projects, Infrastructure and Investment of the Department of the Chief Minister. Thank you all for coming this morning and participating in this hearing. We appreciate you taking the time to be here today.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. If at any time during the briefing you are concerned that what you will say should not be made public you may ask the committee to go into a closed session and take your evidence in private.

I ask you each to state your name and capacity in which you are appearing and remember to turn your microphones on, please. Mr Kalimnios, if you could introduce yourself, thank you.

Mr KALIMNIOS: Michael Kalimnios, Chief Operating Officer, Top End Health Service.

Prof. NOTARAS: Len Notaras, CEO, Department of Health.

Ms TAN: Anne Tan, Acting Coordinator-General, Office of Major Projects, Infrastructure and Investment.

Mr McHUGH: David McHugh, Chief Executive Officer for the Department of Infrastructure.

Mr BRADY: Glen Brady, Department of Infrastructure, Senior Project Manager, Director.

Madam CHAIR: Thank you. I invite any of you to make an opening statement at this point if you choose to.

Ms TAN: Madam Chair, I will start.

Madam CHAIR: If you could just introduce yourself before you speak. Thank you.

Ms TAN: Anne Tan, Acting Coordinator-General, Office of Major Projects, Infrastructure and Investment.

Good morning and thank you for the opportunity to discuss the Palmerston Regional Hospital project. This project will have a significant impact on the Northern Territory's overall capacity to provide for health and hospital services, delivering a critical expansion of current hospital-level services to meet the health needs and increasing health service demands of the growing population.

The Office of Major Projects, Infrastructure and Investment has responsibility for the project as a coordinated project. In this regard OMPPII, as project lead, has responsibility for securing delivery of the hospital project in close consultation and collaboration with relevant agencies. We have had excellent and close collaboration with the Department of Infrastructure and the Department of Health. I also need to thank the other members of the Project Steering Group which I will come to again a bit later: the Under Treasurer and the Chief Executives of the Departments of Lands, Planning and the Environment and Attorney-General and Justice.

This is a combined effort and with the efforts of the project teams and commitment from health professionals and various consultants the project would not be as advanced as we see it today. This effort and commitment has contributed, and will continue to contribute, significantly to align provision of health and hospital services in the major population centre of Palmerston City and the Palmerston and greater Darwin regions. In the management of coordinated projects, OMPPII becomes accountable to the relevant responsible minister - in this case the Minister for Health. As OMPPII is ultimately accountable to the Chief Minister, he is also briefed regularly on the progress of coordinated projects.

Turning now to what a coordinated project is: coordinated projects that are managed by the Office of Major Projects, Infrastructure and Investment are government funded projects which require a general degree of overall coordination across the Northern Territory government. Generally projects which are eligible have complex approval requirements involving different tiers of government - local, Northern Territory and federal government approval processes - where a project has strategic significance and benefit to the locality or region of the Northern Territory, or even the nation; where there are significant investment requirements; where there are likely to be significant environmental approvals required; or where the Chief Minister or minister determines that he wants a project to be coordinated by the Office of Major Projects, Infrastructure and Investment. Generally the threshold for coordinated projects is \$150m, but this is only a guide.

The Palmerston Regional Hospital readily meets the tests that have been set up regarding when a project is coordinated by OMPPII, is significant to the Territory, is a complex project in terms of design and delivery, has a significant capital investment requirement - in this case

\$110m commitment by the Australian Government and a \$40m commitment by the Northern Territory government - and includes detailed liaison between agencies as well as with the federal government.

OMP II became involved in March 2015 when the Northern Territory government determined to deliver the project through the managing contractor methodology, rather than the previously considered public-private partnership model.

In terms of the role of the Department of Health and the Department of Infrastructure, the Chief Executive Officer of the Department of Health is responsible for and makes the day-to-day decisions in relation to the hospital's operational aspects and the Chief Executive Officer of the Department of Infrastructure is responsible for and makes day-to-day decisions in relation to the built infrastructure aspects of the project.

Being an OMP II managed process project, or coordinated project, a steering committee has been established. The steering committee comprises members of agencies that have a role to play in the delivery of that project; in this case the Palmerston Regional Hospital's steering committee comprises chief executives of the Departments of Health; Infrastructure; Lands, Planning and the Environment; the Attorney-General and Justice, and the Under Treasurer. It is chaired by the Coordinator-General.

Under the steering committee structure there is a series of project control groups that are established. The project control groups are variously chaired by either Department of Health officials or Department of Infrastructure officials, depending on subject matter, and involve technical experts from the relevant areas that focus on particular aspects of the project.

In closing, the Department of Infrastructure and the Department of Health have also prepared short introductions, and I would like now to pass over to David McHugh.

Mr McHUGH: Madam Chair, I want to make an opening statement that explains the responsibilities of the Department of Infrastructure in delivery of the Palmerston Regional Hospital.

The department is responsible for the detailed design and construction of the Palmerston Regional Hospital and also the associated trunk infrastructure works connecting to existing services such as roads, water, sewer, power, telecommunications and storm water systems.

To undertake this role the department required a detailed brief from the Department of Health, which we received at the end of March 2015. It should be noted that after extensive

investigations to deliver the project by public-private partnership methodology the government determined that the PPP contract method was not appropriate for this project, and made a decision to deliver the project by design and construct managing contractor method in February 2015.

The Department of Infrastructure, in early March 2015, commissioned design consultants to commence work on preliminary design concepts for the hospital whilst working with in-house resources and legal advisers to develop an appropriate design and construct managing contractor contract that the department could release to the market. Tenders were called in May 2015, and a contract was awarded to Lend Lease Building Pty Ltd in July 2015. The design consultants were novated to Lend Lease, which allowed them to complete design to 75% by December 2015.

Madam Chair, is it okay if I address some of the questions identified for DoI?

Madam CHAIR: Certainly, thank you.

Mr McHUGH: What stage is the project up to? Physical construction of the works commenced on the hospital site in October 2015. To date we have cleared the site, mulched most of the vegetation for sedimentation barriers, relocated cycads, installed permanent fencing onsite and completed bulk excavation and earth works, fabricated reinforcing mesh for concrete footings and poured 80% of the concrete footings for the building complex. Lend Lease has provided us with a program of works.

The planning phase submission was submitted in December 2015, and 95% of the design development was completed at the end of January. Concrete structures were to commence in January - and has - and to be completed by November 2016. Roofing - they are targeting October 2016 to February 2017. The façade, which is all the external cladding - October 2016 to May 2017. Internal finishes are 2016 to December 2017, services commissioning is May 2017 to December 2017, and integrated systems testing December 2017 until the end of January 2018. That is the building works.

In regard to the trunk infrastructure services to be provided to the site, the Stuart Highway intersection is currently under construction and we hope to have it completed by the end of March 2016. The access road and stormwater to the hospital site is out to tender. We hope to award a tender in March this year and have it completed by April 2017. Water mains - we issued a contract in July and that should be completed in April. Sewer mains and pump stations start in July 2016 and go through to July 2017. The power supply and transformers, and also telecommunications, are expected to start in May 2016 and be completed by July 2017.

The other question that was asked was is the completion of the base building on track to meet the April 2016 target - the base building on track. The building will be completed by February 2018. The original target for April 2016 for the base building was set out in table 1 of the original agreement between the Australian Government and the Northern Territory Government that was executed in 2014. Also in that table was the milestone for completion of construction by March 2018, which I am confident we will meet.

I understand that discussions at the most senior level in the Department of Health of both jurisdictions - the Northern Territory and Australian governments - over some time have resulted in an agreed revised delivery program and related funding provisions as allowed in the agreement. The milestone for April 2016 is now defined as excavation complete, concrete pour to main building commenced. That milestone has already been achieved, so I am confident the March 2018 milestone for completion of construction of the building will be met.

What are the implications if that target is not met? I believe there are no implications or detrimental implications because we have already achieved that target. The Australian Government contribution will not be affected by this.

I point out that in the original agreement the floor area was about 14 345 m². We are now constructing 22 421 m² over two floors, which includes the following facilities: ambulatory care; emergency department; medical imaging; pathology; pharmacy; transit centre; surgical services; operating theatres and procedure rooms; and five wards. Ward 1 is rehabilitation, Ward 2 is medical, Ward 3 is geriatric evaluation and management, Ward 4 is surgical and Ward 5 is maternity.

Other facilities provided in the building include a morgue, administration offices, learning and development training rooms and offices, a kitchen, back-of-house supply and storage rooms and engineering and plant rooms.

I can address Question 12, 'How is the completion of the base building described within the project plan?' It is not described within the project plan. There have been two project plans developed in relation to the project: the original one in 2011 and the latest in 2015. Both of those project plans relate to governance rather than definition of milestones identified in the agreement. They relate to how we relate to the Department of Health and everybody else involved in the project. It is not defined in the project plan.

'Is it anticipated that target for milestones in the project will be met?' We believe they will be; in particular, the completion of milestone of March 2018 will be achieved.

In relation to project overruns, it is anticipated that the project will be completed within the budget approved by the Northern Territory Government, and if there are any cost overruns they will be funded by the Northern Territory Government. At this stage, based on the competitive tendering arrangements that are occurring in the marketplace at the moment, we expect there will be minimal cost overruns in relation to the building.

‘How much money of the Commonwealth spent on the project today?’ This financial year \$15m of Commonwealth funding has been allocated to the project, and to date we have spent \$1m. In previous years, in 2012 or 2013, I think there was \$1m of Commonwealth money spent on the project.

‘How much Northern Territory funding is being spent on the project to date?’ This financial year \$10m has been authorised to be spent, and to date we have spent \$1.1m. In previous years funding relating to design consultants and some services to the original hospital site was about \$6m or \$7m.

‘Have there been any changes to the estimated total cost of the project since the funding agreement with the Commonwealth was entered into?’ Yes, there have been. The original building estimate for the 14 345 m² was about \$85m and the current project building estimate for the new footprint of 22 421 m² is \$133m.

‘Is the total cost of the project in time frame what is the total cost?’ The total building cost, as estimated by Lend Lease at this moment, is \$133m.

‘What is the time frame?’ We expect to complete well before March 2018, so that is another two years. Then the Department of Health will obviously need a number of months to move in and commission it before they are in a position to treat patients.

‘What are the main risks for the project and how are those risks being managed?’ The main risk for the project I will address under the following categories: project delivery risks; onsite OH&S risks during construction; and health service delivery risks.

Project delivery risks relate to the suitability of the design for health services, cost of the project, timeframe, quality, finished building facilities, performance of subcontractors, maximising local content for suppliers and contractors in connection to trunk infrastructure services, and security of the completed facility. The OH&S risk during construction - the managing contractor was provided quite a detailed risk management plan in relation to managing all the risks during construction. They include personnel materials, manual handling, excavation, mobile transport, machinery, etcetera.

Health service delivery risks - I will not expand on that because that is the Department of Health's responsibility. That is how we are going to manage those risks. There are agreed teams of people who have been working together for a long time, particularly in the suitability of design for health services which include experts from the Department of Health and our planning and design teams, and also the expert people from managing contractor. We have been working together to ensure the functionality and relationships work across the hospital in the way it is required by the Department of Health to operate.

In terms of risk relating to cost, we do independent reviews with QS. We also have competitive bids for all the subcontract packages under the managing contract arrangement. All the components are tendered out and the department is involved in the approval of the successful subcontractor. That way we can significantly influence getting best value for government while also ensuring our local content, so we are working very closely in relation to those things. In regard to time, we are continually reviewing the time lines and encouraging people to progress the work quickly. I am satisfied we will achieve the correct outcome in the way we are managing the risks across the whole of the project.

I think the last item was, what was the purpose of the concrete pour?

Ms FYLES: Can I just interrupt and ask a question?

Mr McHUGH: Yes.

Ms FYLES: Please correct me if I am wrong, but has \$3m to date - \$2m from the feds and \$1m from the NTG - been spent?

Mr McHUGH: Are you talking about ...

Ms FYLES: Sorry, you just mentioned some figures in that statement, so I wanted to clarify.

Mr McHUGH: Yes, we have spent \$2m of the feds' money this year and \$1m from ...

Ms FYLES: How much did the feds give us?

Mr McHUGH: We have allocated \$15m from Treasury, of Commonwealth funding, on the project this financial year, and we have spent \$2.1m.

Ms FYLES: And of the \$1m NTG spend that has been allocated, what was the total allocated for this financial year from the NTG?

Mr McHUGH: The NTG allocated \$10m on the project, and we have spent \$1.2m of the NTG funding on the project so far this year.

Ms FYLES: Thank you.

Mr McHUGH: In addressing the purpose of the October concrete pour, the purpose of the concrete pour was to construct a blinding slab signifying the commencement of work on-site. This blinding slab forms the base for subsequent concrete footing for a stairwell in the building, which is the normal construction technique for concrete footings. Admittedly it was constructed early, but it was necessary for the construction of the footing. Immediately following that event site vegetation clearing commenced, which included relocation of cycads and mulching of other vegetation followed by bulk earthworks and fencing of the installation on the site. Work has continued since then with the exception of wet weather just prior to Christmas. The average number of people employed on the site since work started has been 10 people per day. On some days in January it was ramping up to 30 people per day, and I noticed yesterday we had something like 44 workers on site.

Prior to Christmas steel fixers were on site fabricating reinforcing cages. Concrete footings had been poured during January, and to date the contractor is expected to have 156 footings poured and 42 concrete columns poured. That is where we are with the project to date.

Ms FYLES: With that concrete pour - you said it was constructed early. Was there a particular reason for that?

Mr McHUGH: The reason was to signify the start of the work.

Ms FYLES: Who authorised that?

Mr McHUGH: I did.

Ms FYLES: Were you aware that it would be covered in at the time?

Mr McHUGH: I thought they would fence it, but the contractor determined it was cheaper and more cost effective to fill it.

Ms FYLES: Will it be uncovered?

Mr McHUGH: It has been uncovered and the footing has been poured on top of that already.

Ms FYLES: It was cheaper to fill it in then uncover it than put a fence around it?

Mr McHUGH: Yes.

Ms MANISON: Is it usual practice in construction of this type of project to pour a stairwell so ahead of what seemed to be the main body of work?

Mr McHUGH: It was just something to clearly mark the beginning of the construction works. There are a number of alternatives that you could have had - cutting a ribbon or out there with a silver spade or something like that, but this was just a different way of doing it. That is all.

Ms FYLES: Obviously you authorised it. Did you receive ministerial direction to make that happen at either the federal or Territory level?

Mr McHUGH: No.

Mr WOOD: David, the contract price was \$133m? Was that Lendlease's contract price?

Mr McHUGH: No, that was Lendlease's estimate for the building works.

Mr WOOD: They put in a tender. What was the tender price?

Mr McHUGH: No, they have not put in a total tender price; they put in a price as a managing contractor. Their fee is about \$15.5m at the moment, and now all the various subcontract packages will be tendered and awarded. Their estimate to date is \$133m for that building works.

Mr WOOD: Have there been any major variations?

Mr McHUGH: No, not from the estimate they prepared.

Mr WOOD: You said it has gone from 14 400 m² to 22 400 m², and the price has gone from \$85m to \$133m.

Mr McHUGH: Yes, that is correct.

Mr WOOD: Does that extra price include an inflation figure from the original estimate - not only for the extra floor space?

Mr McHUGH: Yes, the original estimate had a fair bit of contingency. This is their realistic price at the moment with a minimal amount of contingency. As you move through a construction project you reduce your contingency as you build confidence in your ability to deliver the works.

Mr WOOD: Madam Chair, can we ask questions now or are we waiting for all the ...

Madam CHAIR: While Mr McHugh is on a roll we should let him continue to answer questions.

Mr WOOD: The government is changing the way it looks at subcontractors and putting more emphasis on local content. Has that change in policy affected this project in relation to subcontractors?

Mr McHUGH: In relation to this project we told Lendlease at the start when they were awarded the contract that we would be looking to maximise local content on the project. We have given them directions that only under exceptional circumstances would we consider somebody from outside.

Mr WOOD: So you approve the subcontractors as well?

Mr McHUGH: Yes. We sit on the tender assessment panel for the subcontract package.

Mr WOOD: Does that also include the supply of materials, for instance, steel?

Mr McHUGH: Yes.

Mr WOOD: In relation to infrastructure, if you travel from Howard Springs you wonder when a certain intersection will finish.

Mr McHUGH: Yes.

Mr WOOD: I went to a community meeting a long time ago. I presume that intersection is part of the project? Not part of the money for building the hospital, but part of the overall project?

Mr McHUGH: Yes, that project is part of the overall requirement for the project, for the hospital to operate. That intersection needs to be built along with the access road, the water mains and power supplies.

Mr WOOD: So, where does the funding for that intersection come from? Just from Northern Territory funding?

Mr McHUGH: Yes.

Ms FYLES: Just on that, can I ask a question? Sorry, Gerry. How much is the connecting headworks costing - roadworks, sewer, power, everything that is needed to build that hospital, but not included in the \$133m and \$150m figures?

Mr McHUGH: The intersection works is around about \$10.5m to \$11m all up. The other infrastructure work estimates range between \$18m and \$22m.

Question on Notice No 1

Ms FYLES: Would we be able to get that figure taken on notice - the trunk works associated with building the hospital - the total figure, please?

Mr McHUGH: Yes.

Mr WOOD: Going back to that, has the intersection time for completion run over? My impression is it was supposed to finish in November last year. If it has, why has it run over?

Mr McHUGH: Some of the significant things are Telstra and Power and Water services - trying to get agreement with them as to when we can move forward on that in those areas. Yes, the contractor's performance has not been as good as we would like, but it is a difficult job.

Mr WOOD: I understand that.

Mr McHUGH: It is probably the busiest road in the Northern Territory. When you are trying to build it under traffic ...

Mr WOOD: I have trouble realising the traffic lights are not where they used to be. In relation to that intersection there is also the high voltage power line. Is that part of the contract price as well? It has to be put underground, is that correct?

Mr McHUGH: Yes. No, Power and Water will be funding that.

Mr WOOD: There are. Has the design been done for the new road? As you know there were many issues, from the Lands and Planning perspective, in relation to the boundaries of the hospital site and the location of the road. Has that been resolved?

Mr McHUGH: That has all been resolved now. That road project is out to tender at the moment.

Mr WOOD: I will put in my local one which annoys me. There is a cycle path there. I asked why it could not go under the road because now it is going to have to cross seven lanes, some without any traffic light protection. Is there still a chance that it goes under that road? It seems strange that you are spending all this money and you cannot put a quite popular cycle path which many Darwin people use under the road just for safety purposes. I was quoted \$2.5m. I do not know whether they have gold-plated culverts these days or it is going to be lit 24 hours, but I cannot see how going under that road would cost \$2.5m. Do you know why we cannot, from the point of safety, have that cycle path under the road now while we have the opportunity?

Mr McHUGH: It is not my call as to that.

Mr WOOD: Would you at least be able to look at it? The road has not been completed to the hospital and obviously there is an opportunity to do it. It seems that we will kick ourselves later and ask why the heck did we not put that cycle path under the road. I have heard various reasons, but I do not think they are necessarily project stopping. It is just that you said we are spending how many million on the existing one, and another \$10m to \$15m on the next bit. It would be good to recognise that quite a few people use that, especially on the weekends, and it would be good not to have to cross seven lanes. It is not really the way you want to go in future planning, but perhaps you could look at that.

Mr McHUGH: I will take it on board.

Mr WOOD: Yes. No gold plated crossing, just a couple of culverts underneath.

In relation to other works that may be related to the hospital, that is, nursing accommodation, quarters for doctors etcetera, is that part of the project?

Mr McHUGH: No.

Mr WOOD: I do not have any other questions at the moment.

Clarification of Question on Notice No 1

Madam CHAIR: Okay. We might just go back to a question on notice that the member for Nightcliff put to Mr McHugh.

Ms FYLES: Yes, I just wanted to clarify, you gave us a figure totalling \$28m, but we would like the total cost of all trunk infrastructure, headworks, however you want to term it - roadworks, sewerage, power and water, some of the things the member for Nelson mentioned. Obviously we have the cost of the hospital build, but you mentioned a figure totalling \$28m for some trunk infrastructure. Could we get, on notice, the total cost for trunk infrastructure of building this hospital, please?

Mr McHUGH: Yes.

Ms FYLES: Thank you.

Ms MANISON: Just to clarify, I am sorry if I missed this, but we are talking about \$10.5m for roadworks?

Mr McHUGH: For the intersection.

Ms MANISON: So roadworks on top of that would require further funding?

Mr McHUGH: Yes, that has already been made available by government.

Ms MANISON: How much was that?

Mr McHUGH: There is between \$18m and \$22m for the road access, water, stormwater drainage, power and telecommunications.

Ms MANISON: Okay, so we are talking about \$30m or \$32m there, and that is not coming from the \$150m for the hospital build, so that is separate altogether in Territory government funding?

Mr McHUGH: Yes.

Ms MANISON: Thank you.

Ms FYLES: I am not sure if this question should be directed to you; has Lend Lease built any other hospitals?

Mr McHUGH: Yes. One of the reasons Lend Lease was selected is they have built about six or seven hospitals recently in Queensland, some of them as design construct lump sum contracts, some of them as managing contractor type contracts. They have a very high level of expertise within their Brisbane office, so they have transferred a number of those key players up here to work on this project. The project manager from Lend Lease came from the Cairns hospital project to this project. They have put some key people here, and their design managers and design team that work with our consultant designers have added a lot of value to the whole project.

Ms FYLES: Some of those key people - are you able to give us approximations of when they joined the project? Has it been in more recent times?

Mr McHUGH: No, the contract was awarded at the end of July and they have been on deck since August.

Mr WOOD: Could I just get it clear – it is a design and construct, but who ...

Mr McHUGH: It ends up as a design, but it is a managing contractor contract, so they get a fixed fee for their – and then all the contract packages are awarded.

Mr WOOD: The actual hospital ...

Mr McHUGH: But the contract packages go back to Lend Lease. They are not run by the government.

Mr WOOD: If something went wrong with the design, who do we go back to and say, 'Who stuffed up?'

Mr McHUGH: Lend Lease.

Mr WOOD: So they are doing the design work?

Mr McHUGH: They are responsible for it, yes.

Mr WOOD: And where do you fit in with that design? Are you feeding ...

Mr McHUGH: We manage the contractor and we manage the interface with the Department of Health and everybody else.

Mr WOOD: The Department of Health works with Lend Lease as well?

Mr McHUGH: Yes.

Mr WOOD: Right.

Mr McHUGH: There is Lend Lease, the design consultants, the Department of Health and any other stakeholders that need to be involved.

Mr WOOD: So where do the design consultants fit in with Lend Lease?

Mr McHUGH: The design consultants we hired were novated to Lend Lease and so they are part of Lend Lease's subcontractors now.

Mr WOOD: And that all fits in with the \$133m or those design consultants are somewhere out here? Who pays them?

Mr McHUGH: They are paid out of the full contract package.

Mr WOOD: The \$133m?

Mr McHUGH: No, the \$133m is for building works only. It does not include the design fee.

Mr WOOD: If you add the design fee what is the total cost?

Mr McHUGH: The design fee - I believe \$5.5m is outstanding, which has been novated to Lend Lease.

Mr WOOD: Who pays for that? Is that the Territory government?

Mr McHUGH: It is all part of the project cost.

Mr WOOD: I might ask you to break all that down so we have an idea of what it means. The total package of all the work that has to be done, who is responsible for what and where that money ...

Mr McHUGH: We are responsible for delivering the whole lot and can provide whatever details are required. The contracts awarded to date - I have a list here – the Lendlease contract was \$15.5m, MKEA was \$6.8m, Allan King and Sons was \$600 000, CV Contractors

was \$3.5m, Bennett Surveys was \$300 000, and Totem Fencing was \$80 000. They are the contracts awarded to date in relation to the building.

Mr WOOD: Those contracts are awarded by Lend Lease or the department?

Mr McHUGH: We awarded Lend Lease, we awarded MKEA, and the rest have been awarded by Lend Lease.

Mr WOOD: Is there a protocol for that?

Mr McHUGH: Yes, obviously.

Mr WOOD: Some contracts will be awarded by the department?

Mr McHUGH: No, the two contracts - we only have one contract we deal with and that is with Lendlease because MKEA ...

Mr WOOD: Who are they?

Mr McHUGH: They are the architect design group.

Mr WOOD: Yes.

Mr McHUGH: Of their budget - what was not expended before they were novated was paid for by the department, but it all comes out of the project cost.

Mr WOOD: Thanks.

Ms FYLES: To clarify, it all comes out of that \$150m?

Mr McHUGH: Yes.

Ms FYLES: At one stage was the hospital project not more like \$200m?

Mr McHUGH: Not that I am aware of.

Ms FYLES: To clarify, when I asked you before about the concrete pour and who might have given directions for that to happen, when I asked if it was from a Territory or federal minister I also meant staff in those offices. Are you able to clarify that was ...?

Mr McHUGH: No.

Ms FYLES: No, thank you.

Ms MANISON: With regard to the payment milestones and the agreement that the Territory has with the Commonwealth government in relation to Palmerston hospital, is that something that the Department of Infrastructure manages or is it the Department of Health?

Mr McHUGH: That is not what we manage. We are allocated funding from Treasury, whether it be Commonwealth funding or NT funding, and we have to acquit against that and pay the contractors accordingly. The milestone agreements are negotiated between the Department of Health, Treasury, the Department of the Chief Minister and the Commonwealth.

Ms MANISON: Okay, I might leave the questions until later on. Thank you.

Mr WOOD: If there is an overrun in the project, who picks the tab up? Is it the Commonwealth, the Territory, or both?

Mr McHUGH: The Territory, as far as I know, but that is obviously up to negotiation between the Territory minister and the Commonwealth minister at some stage.

Mr WOOD: Okay.

Ms MANISON: To clarify again, if you were to put an absolute total project cost, from the Department of Infrastructure's perspective - when you look at all the costs you have factored in, escalation, all the roadworks, sewer works and those things, what would be the total price of the Palmerston Regional Hospital project from the Department of Infrastructure point of view?

Mr McHUGH: A lot of those infrastructure works do not just relate to the Palmerston hospital, so it will be incorrect to say that the improvements to the intersection are accountable back to the hospital. What you have to look at is the traffic volumes through there that will go to the hospital. It might be 50 vehicles a day, it might be 200 vehicles a day, but you have 22 000 vehicles a day going through that intersection. If you transfer costs relating to infrastructure back to a particular facility, you have to look proportionally about what the service is. It will be inappropriate to say the intersection costs should be added to the hospital because it was needed. The intersection needed upgrading anyway because we are doing work into Palmerston from the other side of the intersection. It is the same with the water mains and sewer and everything. The trunk services we are putting in provide the opportunity for extension of those facilities. It is not a cut-and-dried arrangement. We could sit down and work through that process, but it is not as easy as adding up the infrastructure costs and throwing it on top of the building costs.

Ms MANISON: It will be fair to say that the headworks, the intersection works, the roadworks, are related to the hospital?

Mr McHUGH: They are.

Ms MANISON: Yes.

Mr McHUGH: But it provides an opportunity for future development in that whole area.

Ms MANISON: If I was to rephrase my question to say the total Department of Infrastructure costs in relation to the Palmerston Regional Hospital project, would I be able to get a total figure on that?

Mr McHUGH: We can give a total figure on anything, but whether it is appropriately allocated against the hospital is the matter that needs to be understood.

Ms MANISON: So at the moment you would say \$150m, and that is where you would draw the line?

Mr McHUGH: Yes, depending on how we go with tenders and various other things in building costs, yes.

Ms MANISON: It would be fair to say that you have a \$150m project and about \$32.5m-odd in infrastructure costs related to the hospital?

Mr McHUGH: Yes.

Ms MANISON: Thank you.

Ms FYLES: I thought that intersection was reworked not that long ago. Were there plans afoot? Were there firm plans to do things ...

Mr McHUGH: I am not sure when it was reworked. No, there was one further up the road ...

Ms FYLES: I will clarify the question ...

Mr WOOD: Where the hospital should have gone – saved all this money.

Ms FYLES: Would you have spent money on those headworks if there was no Palmerston hospital there?

Mr McHUGH: If there was no Palmerston hospital there, but if there was other development that was to go in that area, yes.

Mr WOOD: To be fair, I am not trying to put you off your question, but this is the theoretically the road to Glyde Point which has been planned. It will go past the prison and up that way. Whether it would have been as expansive as this I do not know. The other issue you have to take into account is the Army. There have been major issues with Army traffic. From the Commonwealth perspective, does the Army or Defence contribute? They do not pay rates. Should they have been asked to fund some of the issues relating to that intersection that relate to traffic to the barracks? They were not looked at as a possible way to reduce Territory costs?

Mr McHUGH: Not from my perspective.

Ms FYLES: Maybe they can fund your tunnel.

Mr WOOD: I do not see too many on bikes, but anyway thanks.

Madam CHAIR: Any more questions for Mr McHugh at this stage? No? Okay, Prof. Notaras.

Prof. NOTARAS: Madam Chair and committee members, I thank you all for the opportunity to be here today and to present. I also would like to make a couple of brief introductory remarks and then hand to my colleague on the left, Mr Michael Kalimnios, the Chief Operating Officer of the Top End Health Network.

Given the respect with which I hold this committee and the importance of this project, there are a number of officers behind me. I have brought them along very deliberately to provide any additional information, but also to demonstrate to you that we respect the process.

The Palmerston Regional Hospital initiative marks the first hospital to be built in the Northern Territory for over 30 years. It not only involves what will be the Northern Territory's third largest hospital at 116 beds - that is larger than the Darwin Private, but second only to Royal Darwin and the Alice Springs Hospital - but also takes into perspective, on the back of what Mr McHugh has been saying, that it is a huge campus at 45 hectares. Over the last two years along with the previous minister, Minister Lambley, we fought to ensure it was that particular size.

The project is a significant investment in the future and the campus will, in time, accommodate a significant range of clinical services providing for the needs of the residents of Palmerston, Litchfield Shire and outer Darwin, while not duplicating but complimenting the work of Royal Darwin Hospital.

A comment without notice that Mr Wood made earlier about accommodation - these are things we have actually looked at and considering that they are not in the scope of the \$150m project at the moment, but they are down the track and that is a very important consideration that has not been over looked.

As a consequence of the initiative extensive planning and strict governance, in order to ensure the right outcome is achieved, have been put in place. Further, as a major project as Ms Tan has said, as a major project of the Northern Territory Government, the Palmerston Regional Hospital project has been subject to oversight in governance of the Chief Minister's Major Projects, Infrastructure and Investment division, and that in itself has been critical.

The governance involves an overarching project steering committee that is chaired by the Coordinator-General of the Major Projects, Infrastructure and Investment division and comprises very senior officers, under-Treasurer, the CEO of the Department of

Infrastructure, me as CEO of the Department of Health, the CEO of the Department of the Attorney-General and Justice, and is well attended by other officers and several ministers.

The Department of Health in this particular case is the client, which I think has been described by Ms Anne Tan and by David McHugh. Within Health a separate project steering committee has dealt with various requirements of Health and has, until recently, been supported by a dedicated and effective infrastructure division.

As part of the planned stage transition a new Department of Health governance structure has been implemented representing the key health stakeholders, that is, the Top End Health Service, which Mr Kalimnios is the Chief Operating Officer of. It will ultimately commission, it is in the process of working towards the commission in process, and will operate the facility.

We also have Health's Corporate Services Bureau, which will provide support to a range of various liaisons, whether it be in IT construction, FF and E and so on. Then, of course, there is the Office of the System Manager, which will be setting standards and expectations for the operation of the facility as it comes on line.

Significant changes have occurred during the life of the project, as has already been mentioned, and through Cabinet decision a move from PPP, or public-private partnership, to the design and construct public model that has now been adopted.

Building has begun and, from my own perspective, I have been very impressed over the last couple of years as CEO of the department with the work and the consultation that has gone into it, and would bring my own experience - 25 years ago to Monday week, when we opened the John Hunter Hospital. I would say the movement of this particular project is well on track and building is well under way.

With those couple of remarks if I may, Madam Chair, I will hand to Mr Kalimnios.

Mr KALIMNIOS: Madam Chair, I would just like to make a few comments about Top End Health Service's role in the project.

I just wanted to start by making it clear the Department of Health is responsible for the negotiations with the Commonwealth over funding. They do that through the infrastructure branch in the department. Top End Health Service is responsible, or will be, for the delivery of the services, so we are the operational side of what Palmerston will be. I just wanted to quickly make clear that in terms of funding, the Commonwealth contribution is \$110m and the NTG funding is \$40m. For the \$150m that is the split between the two.

Because of our role, Top End Health Services has taken the lead role in the facilitation of clinical planning and design for the new hospital. This, of course, has included significant engagement with clinicians, particularly at RDH. The consultation has included more than 170 workshops with approximately 2100 clinical and non-clinical staff. A commissioning team of clinical and project staff has been established and is currently focused on and dedicated to managing the pre-commissioning and commissioning phases of the new hospital. This team will ensure the new hospital is ready for opening and commencement of operations. This work is on track, with recruitment to key positions, development of clinical services profile and models of care work progressing well.

The commissioning team is working very closely with clinical staff from Royal Darwin to ensure there are appropriate models of care and staffing, and operational services are in place when the new hospital opens. Workforce and ICT strategies are being developed in conjunction with the wider Top End Health Services and the Department of Health. In regard to workforce, Palmerston Regional Hospital will be staffed through a mixture of recruitment to new positions, particularly in areas such as nursing and non-clinical support services like cleaning, and also through rotations of other staff from Royal Darwin Hospital - people like medical specialists and allied health professionals.

Recruitment to Palmerston Regional Hospital is being approached in a strategic manner to promote and meet both the workforce needs of Royal Darwin and Palmerston. Palmerston Regional Hospital will of course be a very attractive place for staff to work given it is a new facility, and already there has been a lot of interest from existing staff and others wishing to work there.

With respect to IT, the commissioning team is working closely with information services staff in Top End Health Services, the Department of Health and DCIS to assess the new hospital and system-wide implications for ICT requirements.

There has been some query as to whether the completion of the build of the new hospital will be on time. Progress on the project is on track, as noted by Prof. Notaras, Mr McHugh and Ms Tan, and is being managed through a collaborative approach between Top End and the Departments of the Chief Minister, Infrastructure, Treasury and Finance, and of course Health.

As already noted, the completion of the build sits with the Department of Infrastructure. Of course, comments have already been made on that extensively by Mr McHugh. From a Top End Health Services perspective, as is usual contingency for any delay and other factors which may impact on inability to commence delivery of services at the new hospital are part of our normal risk management strategy. A delay in opening would of course be an inconvenience and would need to be managed. Specifically how we would do that would depend on the nature of the length of the delay. However, during any delay the full range of

health services will continue to be delivered for Darwin, Palmerston and the greater region through existing facilities such as RDH.

There have been a number of inquiries also as to when the hospital will be fully operational in regard to delivery of services. As with any new hospital, the services will open gradually over time as both clinical and non-clinical processes and systems are tested. It is anticipated that rehabilitation, surgical services and the ED - emergency department - will commence from the opening of the new hospital in May 2018. Maternity group practice will commence accepting low-risk pregnant women from that time as well.

Finally, I would like to emphasise the Top End Health Services is fully focused and committed to making sure the hospital is commissioned and operational within the government's time frame. Thank you.

Ms FYLES: Do you have a time frame for when the hospital will be fully operational?

Mr KALIMNIOS: We would anticipate we would ramp up over six months from opening into its first stage of operation. Obviously, when opening a new hospital, you need to make sure that all systems are working appropriately. Part of our commissioning process will be to ensure that in May we can operate those services I just listed. That is where our initial focus would be, and where we are targeting initial service impact to be in Palmerston.

Ms FYLES: There is no fixed date for it being fully operational at this stage?

Mr KALIMNIOS: Again, I cannot give you a fixed date because it depends on us being able to open services safely. It is going through the normal commissioning process. As with any new hospital, as you would all appreciate, there will always be teething issues. You can plan as much as you like, but when you are actually operating is when you see all the issues emerge so we need to be careful and considered in that process.

Prof. NOTARAS: Madam Chair, on the back of the member's question, it is a staged process. If you were to look at, for argument's sake, the Sunshine Coast, which Lendlease have been working on, the Royal Adelaide or the Fiona Stanley in WA, all of these have been staged to open with the safety of not only the patients and clients, but also with the staff in mind, and the ability to deliver quality services. I mentioned a little earlier the John Hunter. We opened that on 15 February 1991, but we only opened it in a very small manner. It is a 500- to 600-bed hospital. We opened only something like 100 beds, and a couple of weeks later a few more and so on and so forth. It is normal practice.

Mr WOOD: Mr Kalimnios, about budgeting, have you any estimate of what the annual cost of running this hospital will be? The reason I am asking that is obviously you have an annual budget for the running of RDH. Will one affect the other? In other words, will the operation of the Palmerston and regional hospital mean there will be less money for the RDH?

Mr KALIMNIOS: In terms of the first question, as part of our pre-commissioning process, if you like, we are working through the department and Treasury about what the operating funding requirements of the hospital will be. There is a fairly complex process, as you would appreciate, in how we do that. There is a mixture of government funding and Commonwealth funding. It depends on the types of services and the acuity of services that we will deliver at Palmerston. We need to work through what that money will look like. That is part of a normal ongoing budget process that we are working through.

In impact on Royal Darwin, there will not be a funding impact on Royal Darwin in a service provision sense. The tricky bit with the whole development of models of care, and obviously therefore budget, is that we are trying to streamline and make services more efficient across the two hospitals, both Royal Darwin and Palmerston. There may be services that would be delivered more effectively at Palmerston, so there would be a transfer of budget from RDH to Palmerston because those services are not provided at Royal Darwin, for example.

One of the things we are looking at, of course, is providing more consistent elective surgery at Palmerston to help our elective surgery waiting lists. If those surgeries are not done at Royal Darwin, obviously that money would be transferred to Palmerston for that service to be provided there.

In an overall sense, there will not be any reduction of services that are currently provided at Royal Darwin, they just might be provided in a different way or a different place. Obviously with the introduction of Palmerston, services will be greatly enhanced and will need to be appropriately funded to deliver the quality we need to deliver.

Mr WOOD: I recall also that – and David might tell me if I am right – there was a community meeting about the hospital some time ago. Am I right that certain parts of the population of Darwin would have to go to RDH and certain groups would have to go to Palmerston? Is that the way it is going to operate still?

Mr KALIMNIOS: No. Let me clarify that. It depends on what types of services we want to stream across the two campuses. Palmerston hospital is essentially about providing services to Palmerston. Now ...

Mr WOOD: And the rural area.

Mr KALIMNIOS: Correct.

Ms FYLES: Do not forget the rural area.

Mr KALIMNIOS: The region.

Mr WOOD: That is in the rural area anyway.

Mr KALIMNIOS: Obviously, major services will still be provided at Royal Darwin. Palmerston, as you know, is not the same level of hospital as Royal Darwin. In our language it is a level-three hospital. Royal Darwin is a tertiary hospital which provides a whole range of quite complex services. People in Palmerston and the region will still need to travel to Royal Darwin for a number of services. But Palmerston is essentially about providing local services to the Palmerston and greater region.

Mr WOOD: A couple of questions on operation. You mentioned birthing and that it would be low-risk birthing. You also mentioned there is an emergency department at this hospital. I wonder why. You know you are having a baby – we have birthing facilities at RDH. I know there were some political discussions about whether you should have birthing at Palmerston. Even if it was thought to be a low-risk birth and there were complications, will the emergency section of Palmerston and regional hospital be able to assist? In other words, will it be 24-hour or will that person have to be rushed to Royal Darwin Hospital for treatment?

Prof. NOTARAS: Mr Wood, 24-hour service for the emergency department - which will be an advanced care facility that will be able to deal with a range of presentations. Having said that, from the emergency department perspective, we have to be careful that we do not increase the time an individual might need to have the tertiary referral facility, that is, Royal Darwin Hospital, services provided.

So, for arguments sake, if it is a major traffic trauma we would be very careful in not coming through and stopping off at Palmerston, and this is normal practice throughout the nation. It will not be unique here, but we would be very careful in the triage working with St John Ambulance and others to ensure the right people get to Royal Darwin Hospital.

Now, I take that to your question about maternity and delivery of infants. The same premise applies; what is important for the safety of the mother and child is to ensure an appropriate emergency service is available, not the emergency department, but operation

rooms capable of caesarean section and not just having the operating room capable of caesarean section, but clinicians who can actually carry that out. That would include an obstetric specialist who can carry that caesarean section out, supported by anaesthetists and so on. So it is very important for the wellbeing of the pregnant lady to ensure the services are safe and that we are not putting her at risk. Having said that, if complication does arise we can then, through association with St John and other emergency providers, ensure transfer to the Royal Darwin Hospital.

I think two, possibly three births have actually occurred, not necessarily planned, at the Palmerston Super Clinic over the last year or two and have occurred very safely and successfully, although unintended. Childbirth is a natural process, but there are complications and part of our planning has been to ensure that those complications are covered and that we have a process in place to mitigate any risk.

Mr WOOD: I understand that; I was actually born on the doorstep of St Vincent's Hospital in Melbourne, literally on the doorstep, so there can be complications and things that come in a hurry. You mentioned the super clinic, that was another question I was going to ask, and the ambulatory services. You mentioned there will be ambulatory services at the new hospital. What will happen to the existing ambulatory services? And in relation to the super clinic will there be perhaps any downsizing, or will it continue in its present mode?

Prof. NOTARAS: I have to declare an interest with the super clinic. My wife runs the super clinic, very successfully, and I am hugely impressed by the throughput of that particular initiative. It has worked extremely well and continues to work well.

I can tell you fairly emphatically, particularly from the FCD group who run the super clinic - that is Flinders Charles Darwin, which is a collaborative - they have no intention of downsizing and the formal and informal information I get is, if anything, they are looking at increasing. They have a very real interest and one of our senior officers, Sharon Sykes, has been speaking to the officers at the super clinic as to what role they may play in terms of the future of the Palmerston Regional Hospital.

I am not expecting there to be any impact. I believe sincerely that we will be working collaboratively. In terms of ambulatory care - I will transfer if I might to Mr Kalimnios - we have a range of services that we are looking at, but not necessarily distracting from the work that is occurring at the super clinic.

We are not in competition; we are providing a 116-bed hospital and through that, in time, we are expecting to address some of the pressures that occur at the present moment at Royal Darwin Hospital and basically meet some of the unmet needs as well. When I say unmet needs, delayed needs would be a better way to put it Mr Wood.

Mr KALIMNIOS: To support what Prof. Notaras was saying, what we are doing there will not have any real impact on FCD at all. The ambulatory services - we are currently working through the process of planning what they would look like and what they will be. They are designed to meet the needs of the Palmerston community and will not be distracting from RDH. They are about appropriate ambulatory services for that hospital and the community it is servicing.

Mr WOOD: Will the public know where to go for what? Will they know they should be going to the super clinic not the hospital, or will both facilities provide similar services?

Mr KALIMNIOS: Again, as Prof. Notaras said, one of the things we are working through at the moment is with all the stakeholders in Palmerston to make sure there is not duplication of services, that people understand what services are provided where, what they should go to Palmerston hospital for and what other services can be provided by other providers.

There is a series of different models that we can adopt which we are keen to progress about partnering with the private sector and NGOs to make sure care is delivered in the right place at the right time. Palmerston is a real opportunity to get that right the first time. That is a big part of our planning so the public will not be confused about where to go. I suppose from our prospective we are making sure we are providing the right care to the right type of patients, and if care can be provided more effectively elsewhere it is done elsewhere.

Mr WOOD: I just wanted to make sure that the public know if someone is coming up the Stuart Highway from Adelaide River and has a broken arm or a heart murmur, when they reach that intersection they will know whether to turn left or right.

Mr KALIMNIOS: Yes. Obviously the emergency department will provide general emergency services so if you are driving towards Palmerston and have a pain on the left side of your body you probably should - I do not know is it turning left or right, whichever way it is ...

Mr WOOD: Left is to the super clinic, right to the hospital.

Mr KALIMNIOS: You should go to the ED I imagine. Again, part of our commissioning process is making it clear what services are provided where, what type of services we are providing at Palmerston, and who should be accessing those services. Our whole pre-commissioning approach is to get those things right and make sure we have good communication with the public so they understand that. It is our intention to be crystal clear about the services delivered at Palmerston and how people access services in that region.

Ms MANISON: With regard to the project agreement with the Commonwealth government for the distribution of its \$110m contribution, is that reporting something the Department of Health manages?

Prof. NOTARAS: Yes, it is in collaboration with the Department of the Chief Minister and Treasury. When we are looking at milestones or whatever else we are working very closely, in locked step literally, with Treasury and Chief Minister's. Officers from the Department of Health negotiate with officers from the federal Department of Health should there be an issue or a query about it. At times I might intervene and talk to my colleague, Director General Martin Bowles, or his deputy Mark Cormack, but in the practical sense it is negotiated by Health in collaboration with the Department of the Chief Minister and Treasury.

Ms MANISON: Within the agreement there was a firm time frame on payment milestones, reporting and so forth. To date, how much money has been released from the Commonwealth to the Northern Territory as part of this agreement?

Mr KALIMNIOS: I might ask the director of Infrastructure to provide an answer to that.

Prof. NOTARAS: Is that acceptable, Madam Chair?

Madam CHAIR: Yes.

Mr WALDING: Adam Walding. I am Senior Director of Capital Facilities with the Department of Health.

Ms MANISON: My question was how much money has been released from the Commonwealth government to the Northern Territory for the Palmerston hospital project so far?

Mr WALDING: My understanding it is the amount Mr McHugh said earlier, which was \$15m. However, I can confirm that after the session if you wish.

Ms MANISON: With regard to the original project agreement, we know there were some very firm time frames in place. For example, initially there should have been a \$1m payment in April 2012 which was for the project plan developed in accordance with clauses 12 to 14. Site services should have commenced, due by July 2014, with a \$20m payment associated to that. Of course, there was a \$35m payment due with construction to have commenced in May 2015. Of that amount to date, we are saying clearly only \$15m has been released to the Northern Territory.

Mr McHUGH: Madam Chair, may I?

Madam CHAIR: Indeed, Mr McHugh.

Mr McHUGH: There has been \$1m provided by the Commonwealth in 2012-13 which was spent on consultants and various other things relating to the first hospital project that did not proceed. To date, we have been given \$15m authorised to spend against Commonwealth funding for this financial year, and at the moment we have spent \$2.1m against that allocation.

Ms TAN: Sorry, through Madam Chair, I can confirm that the committed drawdowns of Commonwealth government contributions over the period of the agreement have all been met. The most recent payment received from the Commonwealth was, I believe, in August last year and that was for \$35m.

Mr KALIMNIOS: To clarify from the Department of Health's perspective, we are a bit like the Department of Infrastructure, we are only seeing what comes through in what we need. We are quite happy, obviously in conjunction with DCM, to take it on notice, if that is okay, and confirm what has been received in milestone payments. But our understanding is exactly what Ms Tan said; that we have received the milestone payments we should have received, but that is not necessarily transparent to us as a department.

Question on Notice No 2

Ms MANISON: Could I please put that on notice, Madam Chair?

Madam CHAIR: Sure.

Ms MANISON: I am not sure if I should be asking for the Department of Health or the Department of Chief Minister - the Department of Chief Minister by the sound of it. Provide to the committee a breakdown of the payments which the Northern Territory government has

received from the Commonwealth in relation to the building of the Palmerston hospital, and what those payments were in relation to, which milestones?

Question on Notice No 3

Ms FYLES: A question on the Palmerston Regional Hospital project plan. It has been quoted as being a flexible document that may be varied over time. We have requested previously the biannual project status report. Is it possible for us to see that?

Prof. NOTARAS: I do not see any reason that you would not be able to, member for Nightcliff. I am sure we can provide that.

Ms FYLES: Thank you.

Madam CHAIR: Okay, I might throw it open if anyone has any questions to any of the panel members.

Mr WOOD: Can I ask Prof. Len a couple of questions? Prof. Len, as you know the planning for the hospital has two blocks of land, one for the hospital and one for associated uses. Have you had any approaches from any companies that might want to build in that area with facilities that might complement the hospital at all?

Prof. NOTARAS: Thank you, Mr Wood. I can only speak for the 45 ha that marks the Health department. We have certainly had approaches from related clinical providers, including non-government clinical providers, who are very interested in the prospect of being part of that huge campus, and they have been very exciting and welcome inquiries. In terms of other initiatives there have been inquiries, but at this stage nothing is firm.

Mr WOOD: Any approaches from private health providers at all?

Prof. NOTARAS: If I break it into two parts, when it was a PPP, public-private, there were certainly consultations with private and there were different levels of interest. Subsequent to that, with us moving to a different model, there has been interest from a number of providers - without disclosing any particular groups. There are groups involved in

everything from aged care through to Aboriginal health and pathology, radiology, etcetera. There is a huge amount of interest in providing additional services on that campus, in negotiation with Health. That would be with the Chief Minister as well.

Mr Kalimnios, do you want to add to that?

Mr KALIMNIOS: Only to just support what Prof. Notaras said. We have been approached by many related clinical service providers to enhance the health services we are providing on the campus. We are obviously keen to look at that in terms of the ongoing development of a health precinct at Palmerston. We are currently working through that, but our focus at the moment is to get Palmerston hospital built and then look at how we can work with other providers to enhance services.

Mr WOOD: And even a private hospital being established there?

Mr KALIMNIOS: That has not been floated with us at this stage, but there is capacity for all sorts of opportunities on the campus in the future. It is a large campus and how services are developed over time will be part of the ongoing health service planning for that area.

Ms FYLES: Sorry to be jumping around a bit. Have any negotiations taken place with the Commonwealth government in respect to varying time frame and achievement payment milestones?

Prof. NOTARAS: At this stage we have met the milestones. We have not needed to approach them to significantly change the other milestones. One milestone late last year was not met at the right – or at least the money did not proceed through to Treasury. I should correct myself. It was not because of a milestone; it was because of a mistake that occurred to Canberra rather than – and my colleagues there were very apologetic for that delay.

Ms FYLES: Cannot count on those southerners.

What are the implications for funding for the project if targets are not met?

Prof. NOTARAS: We expect to meet the targets and we are working within a very tight envelope. If there was a target that was not met in terms of –if we are talking fiscal or at least investment, we would have to negotiate with the Chief Ministers and Treasury.

Ms FYLES: Are you confident that the project will be completed within budget?

Prof. NOTARAS: Yes, I am. I am very heartened as well with some of the comments from Mr McHugh this morning.

Ms FYLES: Have there been any changes to the estimated total cost of the project since the funding agreement with government was entered into?

Prof. NOTARAS: No. What is important is we are dealing with a building here. I think it is important to get into perspective the other works that are going on and it is good to sit down and actually explain those as we have been doing today, as Mr McHugh did, the roadwork and everything else that is complementing this. I think it would be foolish for us to underestimate the sheer size of this for now and indeed the future. In fact, Mr McHugh explained to me a number of times a couple of years back just how big this piece of land is and I think what comes for the future will be very exciting as well.

Mr WOOD: I was just looking at the payment milestones, and the completion of the base building is due April 2016 and the relevant report date is May 2016 and the payment is \$20m. Is that how it works or is there a variation in what was expected? Are we going on the project agreement for the hospital?

Mr McHUGH: If I may interrupt, Madam Chair, that milestone, in regard to definition, no longer relates to the base building. It relates to bulk earthworks and commencement of concrete pouring for the project.

Mr WOOD: This table is slightly inaccurate?

Mr McHUGH: Yes, in its description.

Question No 4

Mr WOOD: Would we be able to get an updated version of that? I do not know if it would make a lot of difference, but so we do not have a table that is not quite what it says it is?

Mr McHUGH: Yes.

Mr WOOD: Okay.

Ms FYLES: I missed those figures, can you recap?

Mr WOOD: Completion of base building, which Mr McHugh has just said is not the same as – it is not what it means.

Ms FYLES: According to this table the Territory government should have received \$56m from the federal government, is that correct?

Ms TAN: Correct.

Ms FYLES: That has been received? Of that, what has been expended?

Mr McHUGH: From the Commonwealth perspective?

Ms FYLES: Yes.

Mr McHUGH: About \$3m. There was \$1m back in 2012-13 and \$2m this financial year.

Ms FYLES: What is the \$15m?

Mr McHUGH: The \$15m is the authorisation our department has to spend \$15m of the Commonwealth's allocation to the Territory this financial year.

Ms FYLES: The federal government has given the Northern Territory Government \$56m for the project to date and \$3m has been spent?

Mr McHUGH: Yes.

Ms FYLES: There is an authorisation for more. That is a lot of money the federal government has handed over. Am I missing something there?

Mr WOOD: We can earn some interest.

Mr McHUGH: Yes, that is being managed by Treasury along with – lots of Commonwealth funding is handed over to Treasury and they manage it. They only authorise to us what we can spend on a particular project.

Ms FYLES: So \$56m has been handed over, \$3m has been spent, but you have been authorised to spend \$15m.

Mr McHUGH: That is correct.

Ms FYLES: Sorry, with all the figures flying around we are a little ...

Mr KALIMNIOS: I would like to make a quick comment. It is important to note that the project really is ramping up so there will be increased expenditure over the next little while. Doing a straight comparison is probably a little misleading at this stage simply because the project is on that exponential curve. It is important to remember that. The other thing which I have just been advised of is we are apparently in the process of renegotiating the milestones with the Commonwealth at the moment. The milestone payments and times will change. Once that is available we can ...

Ms FYLES: Is there a reason why those milestones are being renegotiated?

Mr KALIMNIOS: It is just part of the process now we are in the construction phase. We are just refining what we will deliver. As Mr McHugh indicated, we are still on target to meet the 2018 final deadline and we are just making sure the milestones line up with what we do.

Ms FYLES: A cynical person might say the federal government has handed over \$56m to date and only \$3m has been spent. It is very generous of the federal government to hand over so much money, and one would question, if milestones have not quite been met, especially with the information that we are now renegotiating milestones and ramping things up just out from an election – it might be a cynical view ...

Mr KALIMNIOS: The only comment I can make on that is from Health's perspective we are on target to meet delivering the hospital in the time frame that was set. This is part of the normal process you go through when you get into the actual delivery to make sure that what we have agreed fits with what we do.

The important thing from my perspective, from a service delivery point of view, is that we will be delivering services in May 2018 and are on track to do that.

Ms FYLES: When the project was first talked about the federal government made it quite clear - correct me if I am wrong - for a public private partnership. The federal minister was quite keen on that at the time. Where did that shift occur?

Prof. NOTARAS: There are a number of imperatives involved in that. One of those imperatives is looking at the practicality of a 116-bed hospital being a private facility. Is it big enough? A lot of work went into investigating that. Another imperative was that the then federal minister had a view on how services might be delivered for the future, and that should be taken into consideration as well. With the change in federal minister there were certain changes in disposition and attitude.

Finally, it is important that you take a combination of both and look at what is most practical for the site. The decision was made in a very informed manner that we should go with the model we have gone with. I believe, quite frankly, that was a sensible decision given the various backgrounds and investigations we carried out.

Ms FYLES: Thank you. It was something that was playing ...

Prof. NOTARAS: It is highly appropriate.

Ms FYLES: I remembered it and just wondered.

Ms TAN: Madam Chair, can I just respond to the question in relation to the payments and the milestones?

The \$56m that has been paid has been paid based on achievement by the Territory government of the milestones that were agreed between the parties. The milestones we are seeking to change are not retrospective, but prospective. It is not delaying the project, it is more, as Mr McHugh has said, of better defining the milestones to be able to attain the payments.

Mr WOOD: A question again to Prof. Notaras. Is the fitting out of the hospital included in the \$133m for the total project or is it separate altogether?

Prof. NOTARAS: The basic part of it is included. Additional to that is looking at what we are doing with IT, for argument's sake, in sophistication of the IT and furniture and fittings

that might be going it. A significant part of it is included within that particular envelope that is the \$150m. Mr Kalimnios?

Mr KALIMNIOS: To further build on what Prof. Notaras is saying, as per any building project there are different groups of FF&E – what they call Group 1, Group 2, Group 3, Group 4. Group 1 is the stuff that is part of your infrastructure when you build. That is in the \$150m. Things like desks and chairs and all those kinds of things would be what you call Group 3. They are things that have to be funded separately.

Essentially, when the hospital is built we will have all the infrastructure to connect equipment and IT services in, but those things have to be funded through a separate budget process which we are working through at the moment.

Mr WOOD: Are we able to see what will be in and what will need a different budget? If we are looking at the overall cost those things are part of the overall cost.

Mr KALIMNIOS: As I said, we are going through that budget process at the moment. Once that is clear that will be part of the normal budget allocations we get.

Mr McHUGH: Madam Chair, I ask Glen to expand on what is built into the project as part of the normal building component.

Madam CHAIR: Thank you. Mr Brady?

Mr BRADY: Our contract - basically the superstructure - is built and managed by Lend Lease through trade packages as we have described. When you walk in the door on PC handover, practical completion, your floor coverings, wall finishes, all your IT data, toilets, kitchens, main kitchen, CSSD - all that sort of stuff is supplied under this build.

What is not is the hospital beds, the pendent lights and all the things to operate the hospital from a clinical perspective. We coordinate through Lend Lease particularly what we call Group 2 items that are supplied by the client but installed by Lend Lease through DoI. That is part of the FF&E specification in very early days to ensure the correct ICT, the pendants and the power is all in the walls and floors to accommodate this equipment. But ideally the Group 3 FF&E and Group 2 is supplied by Health separately to our build budget.

Mr WOOD: Will we be able to get a list of that so we know what is in the project and what will have to be funded from a separate bucket of money? Will someone be able to do that for

us? Because we need to know the overall cost of the hospital and, I suppose, if some things are not included in the \$150m it would be good to see what it really will cost in the end.

Mr KALIMNIOS: In terms of what Glen is referring to, in terms of that group one, it is easy to define at this stage. It is part of the \$150m. The issue with group two, group three and group four is that is the process we are currently working through and defining, and it is part of the commissioning process. What we need, how much of it we need, what kind of clinical equipment we need, what the IT application requirements are to run clinical systems, how we define that and what the scope of that needs to be - we could provide a general overview of the types of things, but in terms of the actual cost and specificity, we are still working through that as part of the commissioning process.

Mr WOOD: So would things like fitting out the emergency services not be part of the contract?

Mr KALIMNIOS: Correct, so the basic infrastructure for providing the emergency service is there, but we will have to fit out all the various equipment required to run an emergency department.

Mr WOOD: The other question is - Dave you might be able to answer this - the managing contract has a fee of \$15.5m, is that on top of the \$133m for building costs?

Mr McHUGH: It is.

Mr WOOD: And can I just ask one other question in relation to - I was talking about added industries that might be included in that area. The infrastructure you are putting in from a water, electricity and sewerage perspective is adequate enough to look at any future growth in that precinct, is that correct?

Mr McHUGH: Yes, Mr Wood, that has all been designed to cater for future development out that way.

Mr WOOD: Whether it is suburban or rural, it might be a different discussion.

Mr McHUGH: Different discussion, but in terms of any infrastructure that could be built on the adjoining health site or just over the road, that would not necessarily be rural residential or other.

Mr WOOD: I know this is a minor question, but you might have seen an e-mail from the Speaker because she lives in that area; one of the difficulties has been access to the site at the moment because the main intersection is not finished but they are accessing via Wallaby Holtze Road, and it seems that they have cut a pathway through some private land without a permit. Have you received any information on that, and has there been any discussion about making sure access from the hospital to Wallaby Holtze Road is safe? Because I know a number of matters have been raised in relation to that.

Mr McHUGH: If I may, I will just ask Glen to provide you with the current status on that.

Mr WOOD: Okay.

Mr BRADY: We have changed our access point, which is running now down the Power and Water service corridor behind the stonemasons, which has been approved by the approved traffic management plan and Power and Water to access under those power lines. That is going to be for a three- to four-week period until the intersection opens for our temporary construction access.

Mr WOOD: You might have to wait until the cycle path to go under that. I know that the road they have put there has actually gone through private land.

Mr BRADY: I will just clarify that. Early access for site clearing and that sort of stuff was pre-approved by Transport with traffic management plans through Litchfield Council to access for the 10- to 12-week period, and since then the sections of whatever was going on there - we have now changed our approach through working with Litchfield Council to access this other access to take the pressure off Wallaby Holtze because we are starting to get very busy. So that is correct.

Mr WOOD: All right, thanks.

Ms MANISON: Sorry, just one final question from me. The biannual project status report might have this data, but am I correct in that the first payment - these dates, April 2012 and the report is due on April 2012. Those have been met so the payment was made on that date and the report was handed in. The \$3m has been expended from the \$56m, am I correct? Sorry for going over that.

Madam CHAIR: I would like to thank you all very much for taking your time to attend this morning.

The committee suspended
